Committee at this stage. The reason is only this. The policy is to raise the tax little by little and tax more when there is need for it.

As regards the suggestion for the tribunal as the Advocate-General said, this will be considered when the need for it arises. With regard to the rebates and the difficulties in getting rebates which the Hon'ble Member Mr. Koder referred to, I do not exactly follow what the difficulties are. Sufficient precautions have been taken and adequate provisions have been made to see that persons who are taxed both here and in British Indian or in Travancore and Cochin get due rebate from our Government. Any-how that point can be considered in greater detail. But this question does not in any way come in the Select Committee and if we wanted to get its report it will take some time. We want money urgently from 1122. So I suggest that these questions may wait and that the Bill may be passed.

Motion put and carried.

Secretary to the Council: That the title of the Bill is The Cochin Income-Tax Act (Amendment) Bill.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* I pray that Standing Order No. 32 may be suspended.

Mr. M. Sivarama Menon (*Advocate-General*): I second it.

(Standing Order—32 suspended).

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* I move that the Bill be taken into consideration.

Mr. M. Sivarama Menon (*Advocate-General*): I second it.

Motion put and carried.

Clauses 2 to 8 put and carried.

Schedules 2 and 3 put and carried.

Clause 1 put and carried.

Title and preamble put and carried.

Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): I move that the Bill be taken up and finally passed Tuesday, next week.

Mr. M. Sivarama Menon (*Advocate-General*): I second it.

Motion put and carried.

The House rose for lunch at 1-33 p. m. and reassembled at 2-33 p. m. with the Hon'ble President in the Chair.

(ii) The Cochin Sales-Tax Bill

Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): I beg to move that the Cochin Sales Tax Bill be read in Council.

Mr. M. Sivarama Menon (*Advocate-General*): I second the motion.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* This is the second measure that we propose to introduce to get over the deficit in the Budget. There is a deficit of over Rs. 31 lakhs and excepting about 6 to 6½ lakhs from extra taxation under income-tax, we have still to find about 24 to 25 lakhs to cover the deficit for the next year. This large deficit is after taking 25 lakhs from the reserve fund for revenue expenditure. The reserve fund normally is to be tapped when there a deficit on account of very unexpected reasons and in times of depression and times like that. But this time we have transferred 25 lakhs out of reserve fund because several of the items that have been on increase expenditure next year are items which come under development schemes, but schemes which are not in the technical sense of production. For example, improvement of roads, opening of new roads, building projects and expenditure under education and then finding funds for noon-day feeding, improvement of fisheries by buying vessels from the Naval authorities to conduct deep sea fishing, improvement of agriculture, giving manure at reduced rates and things like those which cannot be put under capital schemes, technically which are all beneficial, schemes, which all come under the general group of Post-war development scheme. It is because of this large expenditure on account of

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several of these schemes that we resorted to the rather out of way procedure of transferring Rs. 25 lakhs from the revenue reserve fund of current revenue. It is after this, that there is still a balance of Rs. 24 to 25 lakhs to be found and we propose that by this Cochin Sales Tax Bill we might be able to get the whole of this amount. It is rather difficult to assess accurately how much could be got from this Act by working of this new tax. But on a rough estimate we expect that it will be somewhere Rs. 30 lakhs. If we get a little more we can recoup the money that has been transferred from the reserve fund and rebuild it. Therefore there need not be any anxiety that we are now putting in a taxation which might be really a little excessive. It would be excessive in a way, because 24 to 25 lakhs we have to find actually to meet the deficit. Rs. 25 lakhs we have transferred from the revenue reserve fund to current revenue which also in ordinary times, we would not have done. Therefore in one sense if we could find funds up to 30 lakhs by this new taxation so much the better. We never expect the revenue from this would come to that large amount. We expect that it would be somewhere in the vicinity of Rs. 30 lakhs. The percentage on the turnover according to our Act is going to be one per cent, the same as now in Madras. One per cent means on a hundred rupees turnover there will be a tax of one rupee, and one per cent means there will be a tax of 1·92 pies slightly less than 2 pies a rupee. And according to our Bill every sale is proposed to be taxed that is also the Madras Scheme. When I say every sale the same article may be sold before it reaches the consumer to three or four persons. The whole-saler sells it to the middleman he might sell to another man and that man might sell to the retailer and the retailer pass it on to the consumer. In that case there are four points and each turnover is taxed and our scheme follows the Madras Scheme whereby that every point of sale there is a tax. At this stage it will be useful to point out to the House there are Sales Tax Bills in India which do not follow exactly this practice, and for example in Bombay and Bengal they are following a slightly different method. There they tax only at one point, the last point. The retailer is alone taxed. The Punjab is following the Madras Scheme. There was some sort of controversy as to which of the two is better and when I went through the proceedings of the Madras Legislative Assembly when they discussed this point in very great detail I find that on the whole in a poorer province it will be more advantageous to touch the sales at all points on a reduced rate rather than at one point on a comparatively higher rate.

Mr. A. Eachara Menon *(Chittur-Tattamangalam):* What is the percentage in Bombay?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* In Bombay it is 3 per cent. It can go up to 6½ per cent, anything between 3 and 6½ per cent. It is also the same in Bengal. The Punjab is following Madras. In the Madras Scheme the tax is so to say dispersed widely. It has to be paid not by the last man alone who handles the good. It is to be paid by all the persons who have handled the goods and each person in a proportionately lesser extent. The chances then are that each of these persons, in his commercial and trade transactions would be induced to adjust prices and costs in such a way partially on account of competition between traders of the same group. He will be forced to adjust things in such a way that at least a portion of the small tax which accrues on his particular transaction will be borne by him as a whole.

Mr. L. M. Pylee *(Latin-Christians-Ernakulam):* Between the two systems does it make any difference so far as the consumer is concerned?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* That is the exact point to which I am coming to. In the Madras Scheme the tax is paid by more than one individual so far as the sale of same goods is concerned.

Mr. L. M. Pylee *(Latin Christians-Ernakulam):* Ultimately upon the consumer.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* I am coming to that. There may be four persons who handle the goods and due to keen competition between the traders of the same group or same place, we might expect that a portion of the extra tax which is now put on the goods will have to be borne by the trader himself rather than pass it on to the next hand. Take the case of a whole-saler. The whole-saler charges 1 per cent on his goods. Suppose there is competition. With this one per cent the total will be not exactly the 1 per cent above the old rate but slightly more than that rate, that is a portion of it will be accounted for by him, just to fact competition. That will be the attitude which trader will have all along the chain. On the other hand if we put it on one head and one head alone what will be the reaction. Take the case of the whole-saler, who has no competition to fear. At this stage there is no competition every-body is making the same-thing. He will make the final bill

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on the whole cost plus one per cent. It will be passed on like that until it comes to the last retailer who in his turn passes it on to the consumer. He may at the last stage share a burden on a minor extent. The chances of the trade adjusting itself in such a way that a portion of the burden was borne by the trade itself rather than passed on to the consumer, much less when its high percentage at one point rather a comparatively smaller percentage at dispersed over many heads. That is basis of which the Madras Scheme was based. It is suggested that in a poorer province it may be better to have it dispersed rather than concentrated at one point, and in Madras that has been the principle on which Mr. C. Rajagopalachary introduced it. We are also following the same plan, so far as the point is concerned.

Mr. M. O. Thomakutty *(Commerce and Industry):* May I know in Bengal and Bombay from whom they are collecting the tax ?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* The are collecting it from the retailer. That is they are charging a higher rate of tax while we charge only one per cent and they will charge between 3 to 6 per cent.

Mr. M. O. Thomakutty *(Commerce and Industry):* May I know whether the tax will not be Rs. 5 or 6 when it passes on 5 or 6 hands?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* If it is to be only on the last head as sure as anything it will be passed on completely to the consumer. The consumer will have to bear a larger burden of the tax than it would otherwise be. That is the reason why the Madras Act preferred this alternative.

Mr. M. O. Thomakutty *(Commerce and Industry):* May I know whether it is advisable..

.....

Mr. President: Order, order. I think the Hon'ble Member will do well to reserve his remarks when he has the opportunity to make his speech.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* In our Act we have thought it better that several of the provisions which in the Madras Act are provided only by way of rules as regards the procedure of assessment are put in the act itself so that the legislature may have a better opportunity to look in the provisions.

Then another point which I may bring to the notice of the House is that in the Madras Act there is no provision for appeal or reference to the High Court. Here there is a provision for a reference from the Sales Tax Commissioner to the High Court. That is also provided as a matter of protection to the trade. The exact rates are provided under clause 4, if the turnover does not exceeds Rs. 15,000, Rs. 16, all turnovers below Rs. 10,000 are automatically exempted. Small traders who do not produce a turnover of Rs. 30 a day are automatically exempted from the provisions of the Act. Between Rs. 10,000 and Rs. 15,000 the tax is Rs. 96, between Rs. 15,000 and 20,000 the tax is Rs. 144 and if the turnover exceeds Rs. 20,000 1 per cent of such turnover. Then several articles are proposed to be exempted from this tax, for instance all excisable goods, which have to pay more or less the same Sales Tax in another form. For example under the Opium Act, or the Abkari Act or the Betelenut, Coffee and Tea excise duty Proclamation or under the Cochin Tobacco Act. All those goods which pay an excise duty once are proposed to be exempted. Similarly certain other things as for example articles which if taxed might create a general hardship, as for example cloth woven on hand-looms. In the Madras Act trade in cotton and trade in leather to some extent is exempted. We have not any trade in cot on so to say nor in leather to that extent those exemptions are not taken in our Act. Also there is a general provision that Government may make an exemption or reduction in rate in respect of the tax due under this Act in respect of sales of any goods. That is a general exemption. This is the general scheme of the Act. One per cent on the turn over at every point of sale—that is more or less the correct formula which explains this Act.

There are one or two small amendments or rather one or two remarks have been passed on to Government by way of memorandum. Those points I will refe to here later on.

Mr. M. O. Thomakutty (*Commerce and Industry*); May I know whether agricultural produce and horticultural produce such as rubber, pepper, cashewnuts and such other things will come under the definition?

Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): Yes, they are. As a matter of fact, I find, that even dairy products in certain cases might come under agricultural products. Where the cattle feed more on pasture than on bought goods from the markets the tendency is to classify the products of that particular dairy as agricultural product. It has a wide definition.

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Mr. P. Kumaran Ezhuthassan (*Vadakkancheri*): May I know whether there is any idea of sending this Bill to a Select Committee.

Rnma Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): Government have no objection to send it to the Select Committee. But I would suggest that this Select Committee might finish its work before we rise after work in this session, because the Bill is to come into effect from 1st, Chingam 1122 and this is a Bill, which cannot be given restrospective effect because we are taxing on the turn-over. Each dealer himself is entitled to collect tax on his Bill for every cash transaction. So unless we give him an oppurtunity to collect this it will not proper on our part to collect the tax from him. This is not a tax so to say, this is a tax on every sale there unless the law authorises him to collect the tax we cannot collect the tax retrospectively from the trader. There the Bill should come into law before 1st Chingam 1122. The House shoud give the Government an oppurtunity to bring into law before that. The Select Committee can easily finish its labours within four or five days. In that case Government will only be too glad to have this Bill scrutinised by the Select Committee within four or five days.

Mr. M. O. Thomakutty (*Commerce and Industry*): In that case will matches be included?

Rama Varmha Tampuran, M. B. E. (*Chief Secretary to Government*) : It is an excisable commodity. Those points can all be considered in greater detail in Select Committee.

Mr.P. Kumaran Ezhuthassan (*Vadakkancheri*): Sir, when I remember the observations made by the Hon'ble leader of the opposition while we were on the Incometax Bill, I have no mind to support this Bill because it is closing an avenue of taxation to be undertaken by the Government which my Hon'ble friend wishes to see installed before long. Now, Sir, although I have very great mind to reciprocate that feelings for certain reasons which are working in my mind I do not think it proper to refuse permission to the Government, constituted even as it is today, the officer. Government as my learned brother has called it to the taxaction measure proposed by the Government of taxation. In the light of the explanation offered by the Hon'ble mover and the further statement that there is no unwillingness on the part of the Government the send the Bill to a Select Committee, I do not think, that I need refer to any of the clauses and suggest any improvement of the Bill at this stage while we are only on the question of the principle of this Bill with which I agree fully. Therefore with pleasure I support the motion.

Dr. S. S. Rao (*Nominated*): The main idea of this Bill has already been explained by the Hon'ble Chief Secretary. But I would like to place before the Government certain aspects resulting after the introduction of this Act and when the Act comes into force. Peculiarly situated as we are intervened between Malabar as well as Travancore State, when a new tax is being introduced in Cochin State it will have its own repurcussions on the trade of the merchant population. Mattancheri as is known to all, is the biggest port of the State and all the important merchants of Mattancheri or rather the leading merchants charter steamers and give lakhs of rupees turnover, setting down various commodities mostly for other parts. 75 per cent of the business is with Travancore and every one of these merchants have thier offices there. Travancore State beeing a partner of our Harbour, there are possibilities of these merchants directly booking their goods to Travancore. So much so there are possibilities at least to a certin extent to affect our Incometax. That is one aspect. And another aspect is when such a taxation is effected the local turnover that is the number of repetitions in the transactions, will be reduced. When the cargo trade is with the Travancore State and when direct export has been made through what will be the repurcussion on labour, is the next aspect we have to see. Practically the labour of Mattancheri and the adjoining areas entirely depend on the number of transaction. I mean by the number of transaction, the numberof times these goods are taken from one godown to another. The number of times taking over of the goods by boats will also be affected with the reduction of the trade. When these number of transactions are greatly reduced on the one side and goods are actually sent off to Travancore State on the other side, there are possibilities of reducing our trade thus a reduction in our Inometax, entailing also economic difficulties to labour.

Mr. M. O. Thomakutty *(Industry and Commerce)*: Mr. President, Sir, I rise to oppose the introduction of this Bill. This is an important taxation measure which is going to affect, and vitally too, the vast majority of the people in the State. The people of the State are already overburdened with taxation and it is unjust to tax them any further.

In the objects and reasons it is stated that the imposition of this tax has become necessary as the payment of Dearness allowance to Government officers has to be continued and also that Government have to meet the entire expenditure connected with the Food and Textile

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Departments. The Dearness allowance has to he continued and funds have to be found for that. But I seriously doubt whether it is imperative to continue the Food and Textiles Departments as they are now with their elaborate staff. The time for de-control has come. The procurement of food stuffs has to be entrusted with the co-operative societies, Government will then be able to find huge savings. If the working of the Food Department is improved, it can be worked without a loss also. Now Government had to incur a loss of many lakhs of rupees in 1120. So if our suggestion to entrust the work to private co-operative societies is accepted, Government can find the sum of Rs. 30 lakhs which they now expect to get by the imposition of the Sales Tax. On the contrary if Government are bent upon working these two departments as they are doing at present, I submit, Sir, that even if Government were to impose a tax even greater than the Sales Tax it will prove insufficient to meet the loss Government will have to incur by the working of these two departments. In other words, even if the people surrender all their profits to Government, I think it will not be sufficient to meet the loss incurred by Government by the unsatisfactory working of these two departments. I therefore maintain that the Sales Tax cannot be justified on that ground also.

The Diwan-President in his speech to the Standing Finance Committee stated that Sales Tax and enhancement of Income-tax rates were necessary for us to get priority for machineries, etc. for our industrial development in the post-war period. There is no Sales Tax in our sister State of Travancore; but I admit that they are levying a little higher rate of Income-tax than at present prevailing in our State. Yet, they have found it possible to start many new industries there without the Sales Tax. If at all there is anything to be done here, it is only in the direction of slightly enhancing the Income-tax rates. But what is proposed to be done here is the enhancement of Income-tax rates and also to levy the Sales Tax. So if we are following Travancore we need not introduce the Sales Tax. On the ground also I maintain that the introduction of the Sales Tax cannot be justified.

Let me say a few words on the merits of the Bill. In the first place I cannot understand the necessity for introducing such a measure in the State. I do not think that such an all embracing taxation is necessary to meet the expenditure enumerated in the objects and reasons. Government should try to effect as much retrenchment as possible and find out savings. Their policy of multiplying departments and creating new posts must be put a stop to. It is unjust to levy such a taxation from the poor people. If I remember correct, this Sales Tax was introduced in British India by the Congress Governments which were in power. They introduced this tax there in order to meet the loss incurred by them on account of the adoption of a bold policy of Prohibition. So far as our Government is concerned they have not only not introduced prohibition here but on the other hand have been getting enormous amounts by way of Excise duty. There is here, therefore, no question of compensating any loss incurred. On the other hand, the income from Excise has been steadily growing out of all proportions. There is, therefore, no justification for introducing such a tax as this at present.

Again I am told that all eminent economists are of opinion that such a tax as the Sales Tax can be introduced only in the last resort and that too to tide over an acute economic crisis. It was in France, I think, that the Sales Tax was introduced first and that was during the economic crisis that immediately followed World War No. 1. Other European countries also introduced the same measure after World War No. 1 to tide over the acute economic crisis that followed it and some countries have also abolished the tax subsequently. Recourse to the Sales Tax is taken only in the last resort snd that too when the State is on the verge of an economic crisis. I do not think that such a compelling situation is confronting our State. I, therefore, think that the introduction of this tax at this juncture is inexpedient, unwarranted and unjust.

Everywhere we hear the cry of industrialisation and the echo of this is also heard in our State. It has been stated that our Government have many schemes for post-war industrial expansion. Opinion is not also divided on the point that the State can attain further progress only by rapid industrialisation. But the imposition of new taxes like this will only deter the progress of industrialisation. Such a taxation will also lead to decrease in consumption which will inevitably mean more unemployment and to some extent a retrogression on the standard of living.

This tax will ultimately fall upon the poor. Though the tax will be realised from the merchants they will naturally realise it from the consumers. Hence this is going to be an additional tax on the poor people. Taxation in the State has already reached a very high percentage and this is the last straw which will break the camel's head. Government cannot go on extracting money from the people by imposition of such new taxes. The Sales Tax is one which

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is against all the right canons of taxation and it is going to be a tax without any justification or fair play. There must be a limit to new taxation. I may remind Government of the table in the Æsop's Fables of the man who killed the goose that laid golden eggs. I think that Government's policy of imposing new and unjust taxes on the people who have been willingly paying all taxes though beyond their actual capacity will not be far different from what the man in the Æsop's Fable did. I would therefore like to warn the Government of the folly they are going to make by the imposition of this new tax.

Again this is going to be a harassing imposition so far as the merchants are concerned. As I have already stated our sister State of Travancore has not yet introduced such a tax there. Cochin is an important trading centre and many merchants in Travancore make their purchases in Cochin. But when they find that they have to pay an additional tax in Cochin, it is natural that they will think of buying their requirements from Alleppey where they have not to pay this additional tax.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* I may correct one misapprehension. They would not apply when sales are effected outside the State.

Mr. M. O. Thomakutty *(Commerce and Industry)*: The people will transport articles from Cochin to Travancore.

Mr. M. Sivarama Menon *(Advocate-General):* With regard to the Sales Tax our Act has struck a new line in the interest of Cochin and I may explain it by saying the main basis of assessment of Sales Tax at every successive stage is determined by the place where the goods actually are. Even if the sale transaction takes place in Madras, if the goods happen to be in our teritorries the sale will be deemed to be one made in Cocoin. So Cochinites as a whole will not have to bare a large amount of the Sales Tax. In order that the State may not be duped by contracts being entered into in other parts of India, we have so cast the definition of the word sale and certain other provisions have also been made favourable to our interest. The main consideration will be where the goods were irrespective of the fact were the contract for sale was entered into. Now if the goods are in Cochin and a contract is entered into for transfer of the same and if the contracting parties are in the State Hydarabad, they will all come within the meaning of this definition. So what I say is with regard to the goods falling within the scope of this Act the presence of the goods in Cochin State is the determining factor for the levy of Sales Tax.

Rao Sahib K. Ayyappan *(Ezhuvas-Kanayannur):* For the goods imported from Travancore we will not get anything.

Mr M. Sivarama Menon *(Advocate-General):* That is only passage.

Mr. M. O. Thomakutty *(Commerce and Industry):* There is therefore every likelihood of the diversion of trade and commerce from Mattancheri to Alleppey. Mattancheri is now the goose that lays the golden eggs. Will our Government dare to kill it? I request that wiser counsel may prevail. It is therefore absolutely necessary on the part of Government to take a more encouraging policy towards trade and commerce as is being done by our sister State of Travancore and thereby withdraw their present step-motherly attitude towards trade and commerce of the State.

There are many objectionable provisions in the Bill which have to be got modified in the Select Committee. In my opinion the Sales Tax should be levied—if one is to be levied at all—only at the retail end. The whole-salers should be exempted because it will create many complications in the realisation of this tax. There will be a chain of whole-salers and it may be from the last one in the chain that the commodities will pass to the retailers. If wholesale transactions are taxed each whole-saler will realise the tax from the other so that when it comes to the retailers the price of the article will increase to such an extent that the ordinary consumer will find it difficult to buy. Thus it will increase the cost of living, which has already reached its peak, still further. Those who are doing business on commission basis have been exempted in British Indian Provinces; but they are also included in the definition of dealers in our Act. The tax should be levied only on luxuries. The necessaries of life should be exempted from taxation. That has been the practice in other countries where such a tax has been levied. It will be a great injustice done to the poorest section of the people if necessaries of life are to be taxed. There are a similar other objectionable features in the bill now presented. To cite another objectionable feature—the act gives unlimited powers to the executive in the matter of inspection of accounts, etc. The powers of search, etc., sought to be conferred by

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clause 26 (3) on the Sales Tax authorities are insulting to the self-respect of members of the Commercial Community and are likely to be flouted and tyrannously exercised. Instances are not wanting where the conferment of such dangerous powers based on a State of emergency have tendered to the abuse of such powers. Such provision as to search, etc., have been judiciously avoided in the Madras Sales Tax Act. Further, each dealer, including the smallest dealer will be bound to maintain registers and accounts. It will be really harassing the dealers if petty officers were to come to tease them like anything. Government must be liberal in their policy towards traders and industrialists. They should not place all sorts of impeliments in their way. This will only hinder the growth of trade and commerce in the country. Moreover, Section 11 requires the Sales Tax Officer to make provisional assessment every year after the first day in Kanni determining the tax payable for the current year. And every dealer is required to remit the tax so calculated on the provisional assessment in advance every year. There can be no justification to such a provision. In Madras it has been provided that every dealer need submit [Rule 13 (2)] on the last day of every month a return showing the turnover of the preceding month; that is sales tax is remitted to the Government treasury only after the dealer actually transacts business. In Cochin it is a matter of anticipation. Again section 17 (5) confers on the Deputy Commissioner of Sales Tax the power vested only in a High Court, thereby also deny the dealer the fundamental right to appeal that may be claimed by any party to a dispute. Thus it will be seen that there are many short-comings and drawbacks in the Bill as it is now.

I am also of opinion that such a taxation should not be introduced in the State at present. But if the House is going to grant leave for introduction, I say, that the Bill should be referred to a Select Committee. The public of Cochin had not sufficient time to study the various provisions of the Bill and express an opinion on it. Hon'ble Members will agree with me in saying that in financial measures of such a vast magnitude the people should be given ample time to study the provisions of the Bill so that its repercussions may well be assessed. It is very unsatisfactory on the part of Government that they have introduced such a measure with such shortnotice. The correct procedure should have been to circulate the Bill to elicit public opinion. I would suggest that the bill may be referred to a Select Committee.

Mr. P. Govinda Menon *(Ernakulam)*: Mr. President, I do not oppose this Bill at this stage because we are in agreement with the principle underlying the Bill. The principle underlying the Bill is money. Government want money. There is an unbalanced budget and the budget has to be balanced. That is the only principle underlying this Bill, because we are in agreement with that principle, we do not oppose the Bill at this stage. But having said that I have to make a series of remarks about the provision of the Bill which will show that there are several provisions in the Bill which may needlessly affect the masses of this State. The first reflection which I am disposed to make about this Bill is this, Sir. This Bill was first introduced in a province in India by the Congress Government in Madras in 1939 in order to compensate for the loss of revenue caused by the introduction of prohibition by that Government there. It is very distressing to note that this Bill is sought to be introduced by this Government retaining an income of Rs. 58 crores from excess revenue. That remark we have to make to that, I believe is not yet sufficient reason to oppose this Government when it seeks to make or find additional revenue for the purpose of running the administration. A persual of this Bill and a consideration of the fiscal policy underlying that Bill, at once leads me to a consideration of the fiscal policy underlying the whole budget of the Cochin Government. According to me, Sir, the budgets presented before this House from year to year indicate an out-worn fiscal policy among the items of revenue budgeted for by this Government. The most important items derived by way of direct taxation are land revenue and Income-tax. With respect to land revenue income of this Government one is disposed to make a very important remark. For the last several years the income under head of land revenue has remained stationery at 12 lakhs of rupees. I cannot for a moment say that the land revenue should be enhanced, but, Sir, the expenditure under land revenue is 9 lakhs and that is a very sad state of affairs that this Government should spend an amount of Rs. 9 lakhs and more to collect a land revenue of 12 lakhs. That is not a nation building department. The revenue which this Government derives from taxation on land leaving apart the tax paid by the poor pattadar mainly comes from landed aristocracy in this country. In the new taxation which is proposed by this Government is leaving that class of society untouched and I am going to say that the Sales Tax Bill also, I am sure, to some extent leaves the situation where it is. As I said, Sir, leaving while land revenue and Income-tax, almost all the other items of revenue are supplied to this Government by the large masses of the population. That classes are almost left untouched. This Bill when it becomes law is likely to touch every consumer in

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the State, each one and every one of the 15 crores of this State's population and therein the mass forms a majority a very great majority of this population. This taxation will certainly be on the large masses of this country. When the Madras Bill was on anvil of the legislature there, there have been very learned criticisms about the incidence of this taxation and I am reminded of the criticisms made by Dr. P. J. Thomas of the Madras University which was this " That it is a regressive taxation and that it will finally fall upon the consumer ". That was so even though of Madras Act sought to levy the tax on several points in the course of the sale. I am sure, Sir, the Government is correct when he says that the distribution of the tax at several points will create a state of circumstances in which the trader may absorb a portion of the taxation. I shall be glad if it is so but I have the very authoritative pronouncement from Mr. M. O. Thomakutty, representing trade and industry of this country, that it will finally be passed on to the consumer. He said that the trader will never be affected. Therefore the taxation is at one point or at several points finally it will fall upon the consumer. There devises with our grader. Traders know how to do their business, on account of which consumers in our country will have to bear the burden of this taxation. Remembering that aspect of the question that we must consider how to mould this Bill when it goes to the Select Committee. After the Bill became law in Madras in 1939, as we were informed by the Chief Secretary, three provinces in India have introduced Sales Tax, one in Punjab, therein in Bomby and there is one in Bengal. Although the Bengal Act has refused to copy the main features of the Bomby Act. We must presume the difficulties in working our incidence of taxation upon the masses and the difficulties in collecting the tax. The experience gained by the working of the Madras Act that has affected the change in the Bombay and Bengal Legislation. The learned author of the Madras Bill Mr. C. Rajagopalachary in his discussions about the Bill in the Madras Legislature has taken care to point out that he is taking a leap into the dark. He did not know what the possibilities of the Bill and he would not sure how it will be worked and he would not even sure of what revenue will be available to the State, after the Bill becomes law. It was in that state of affairs, on account of the very urgent necessity to find alternative revenue on account of the introduction of prohibition, that a Bill was introduced in the Madras Legislature by the Premier of Madras. Later on when Bengal and Bombay had to copy that Bill they effected very important changes. I wish to explain to this House what the changes are which were introduced by the Bengal and Bombay Legislature. Now before I make that explanation I have to point out to this Government that this Government is not suffering under the very serious handicap which the Provincial Governments in British India are suffering on account of the Federal constitution in India. There are certain subjects on which Provincial Legislatures cannot legislate. For example the Provincial Legislature cannot levy an excess duty on the purchaser or manufacturer in India. If the tax levied at the very first point when the article or goods go out of the country with the purchaser or manufacturer that legislation will ultra-wires to the powers of the Provincial Legislatures because that item of revenue has been accounted to the Central Government under the Government of India Act. Items or supplies on which Provincial Government can legislative and enumerated and specified in certain schedules attached to the Government of India Act.

It was for that reason that Madras Government and the other Governments had to so modify their legislation that there will be no invasion on the legislative powers of the Central Government. And therefore the Bengal and the Bombay Legislatures had to decide that they will levy taxation only at one point. They also decided that that point will be the last point, that is, just when the goods pass from the retailer to the consumer. At that point, they want to levy that tax, because they cannot do it earlier. They cannot do it when the goods pass either from the factory or when the goods come into the country from abroad as an import. This Government is not suffering from such a handicap. This Government can levy the tax at any stage of the sale as they liked, even at the very first stage when the product goes out of the factory, Why I make this point clear to this House is the result of distributing the tax over several points of the series of sales happen before the goods reach the final consumer is this.—The machinery of the collection of the tax will have to be an elaborate machinery. Here, the minimum taxable turnover has heen fixed at Rs. 10,000; that will work out at a daily turnover of Rs. 28. Now, Sir, there is no commercial establishment in Cochin which may not have a daily turnover of Rs. 28 unless it be a petty Coffee hotel or a Pansupari shop or so. I am sure every commercial establishment in Cochin will have a daily turnover of Rs. 28 and the result is we will have to fix a machinery which will have to meet every petty dealer in Cochin who will have a daily turnover of Rs. 28 or more. Such an elaborate machinery we may have to devise.

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Now, Sir, on this Bill about the working of which, I presume I am as ignorant as members of the Government benches are—because we do not know how it is going to be worked out—I do not wish to dogmatise action. I am only speaking aloud on the floor of this House—it may be that the criticisms I may make at this stage will be found to be baseless on second examination which I wish to urge upon the House—that there are very many provisions in this Bill which require proper examination. And I am sure it is equally the object of the Government as of this side of the House to see that this legislation does not work undue unnecessary hardship upon the consumer (*hear, hear*).

Now, there are two important principles, Sir, which the Bombay Bill and the Bengal Bill have kept in view. They are, firstly, that tax should be levied only at one point. It was pointed out by the Government Secretary that in the Madras Province taxation is at the final point, and therefore there is no room to anticipate that a part at least of the tax will be absorbed by the trade in the course of a series of transactions that take place. It will be directly to be passed on the consumer. I venture to suggest to the House for its consideration whether taxation at an earlier point, when the goods are leaving the whole-saler, will not better facilitate administration of the provisions of this Bill. That is one suggestion I will have to make.

Then, Sir, both in the Bengal and the Bombay Bills, large items of goods have been exempted. Here, in Cochin we do not find that exemption. Sir, we are introducing this legislation at a time when the purchasing power of the people, when the purchasing capacity of the people is very very low. The very fact that this Bill has been introduced in order to find money to give dearness allowance to the employees of Government shows that we are still in a stage where dearness allowance has to be given to the people. The industrial workers and persons with small and limited means of monthly income are not in a position to find sufficient funds to purchase the necessaries of life.

Sir, the direct and immediate result of this taxation will be that the cost of living will go up and the standard of life will go up. That is to say, for purchasing the very articles we are purchasing now, every consumer will have to pay more. In these days of inflation, in these days when the purchasing power of the rupee is very low and when we have to enact measures under which industrial employers are compelled to give dearness allowance to their workers, Government has thought it necessary to give dearness allowance to their employees and high wages are being paid by the local people for wage-earners, at this stage, we have to devise measures which will exempt a very large number of items of articles from the operation of this taxation.

I will now point out the long series of necessary articles of life which have been exempted both by the Bombay and the Bengal Bills.—I am reading from the schedule attached to the Bengal Bill.—The following goods are exempted: cereals and pulses, flour including atta, bread, meat, sugar, molasses, salt, fish, mustard oil, rape oil, vegetables, cooked food, mustard seed and rape seed, milk, livestock including poultry, agricultural implements, fertilisers, yarn made from handlooms, kerosene oil, tobacco for hucca, matches, quinine, text-books for primary classes, bulls and studs, gold, bullion ornaments made of gold, country liquor, water, electrical energy, coal gas, motorspirits, newspapers, hides and skins and jute.

Mr. A. Eachara Menon (*Chittur-Tattamangalam*): Then, what are the articles for taxation?

Mr. P. Govinda Menon (*Ernakulam*): Luxuries. This is the exhaustive list. All articles of common consumption have been thus taken away from the list of taxable goods under the Bengal Bill. I find there is also a similar list attached to the Bombay Bill also. Sir, the Bill, as it stands, will affect several dealings which probably is not our intention to affect. For example, it is not clear from this Bill whether it will affect sales by the fair price shops conducted by the Food Department. The fair price shop manager is a dealer under the definition of this Act. Is it the intention of the Government that rice and other cereals sold by the fair price shops of Government should be subjected to this taxation? Then, Sir, there are the licensed dealers, retailers, under the Food Department. They are equally dealers under this Act. Is it or is it not the intention of the Government that these dealings should be subjected to the tax imposed by this legislation?

Mr. P. Kumaran Ezhuthassan (*Vadakkancheri*): Is there any answer, please?

Mr. M. Sivarama Menon (*Advocate-General*): They will have to be exempted from tax.

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Rama Varmha Tampuran, M.B.E. (*Chief Secretary to Government*): There is one difference in this scheme of legislation with the Bombay and other Provinces legislation. Here, power of exemption is generally taken by Government, and by a notification as they find necessary any article can be exempted from any clause or the bill as a whole. As conditions vary, it will be necessary to change the articles also. That is the scheme under which we are now proceeding and not that we have not considered this point. If we want to extend the scope of exemptions we can easily do that under clause 8 which says "The Government may by notification in the Cochin Government Gazette make an exemption or reduction in rate in respect of the tax due under this Act on the sale of any goods or class of goods". If at a time like this it is thought that foodstuffs or rice or eggs or fish should be exempted, it can be done easily under this section. If later on, we find that it is not necessary to grant that exemption to particular class of goods or traders, we can withdraw the exemption.

Mr. P. Govinda Menon (*Ernakulam*): Sir, I do realise that that power is there. It is when the bill comes up for discussion that this House must point out the difficulties which will be experienced by the public when the bill becomes law as it is. The exemptions may be made under the rule-making powers of the Government. What I suggest is that the exemptions may be made by attaching a schedule to this Bill. It is for a Select Committee of this House to decide whether it shall form part of the schedule or whether it shall be left to the rule-making powers of Government. In bills like this, Sir, I do very much think that instead of placing a permanent legislation like this on the Statute Book, it must be the duty of this Council to introduce amendments to a basic Sales Tax Act every time this House meets during the budget session, for example, something like the Finance Bill of the Central Government Now, Sir, as the functions of this Council go on expanding and this Council takes up more and more of nation-building activities, then as its legitimate function every year this Council will have to budget for incomes to balance the expenditure which they mean to make in the next year. If that is so, it will be much better that this Council brings an amendment to the Sales Tax Act every time this House meets for passing the budget, because then alone they can know what their commitments for the next year will be, whether they want higher incomes for next year or whether they want lower income. Therefore, I suggest that it will be better if the exemptions are there in the Bill itself, and it will be enforced for one year; and next year when this budget session meets we can take away whichever exemptions that are not required and we can introduce new exemptions that we want. We can also decrease or increase the rates of taxation also. That must be the way in which an Act like the Sales Tax Act must be handled by this Council. I suggest the House not to place a permanent piece of legislation on the statute book which will be followed only by the rule-making powers of the Government. I do not think that is the proper way to do it. Therefore, let the Select Committee sit on the provisions of this Bill and decide what shall be the articles to be exempted, what shall be the rates of taxation, where all shall we levy the tax, shall it be at the last point, shall it be on the first point or shall the tax be distributed throughout every stage through which the sales take place.

I must also in this connection point to another very important ommission in this Bill. In clause 5 of this Bill certain items are sought to be exempted. There it is stated "The provisions of section 4 of this Act shall not apply to the sale of tobacco or if any goods on which duty is or may be levied or to the sale by a person of agricultural or horticultural produce grown by himself or grown on any land in which he has an interest whether as owner, usufructuary mortgagee, tenant or otherwise". I am sure there is similar provision in the British Act also. But, as I pointed out, in the British Act, that provision was introduced because they do not want to invade into the province of the Central Legislature. Here, in Cochin, I fail to understand, Sir, why a landlord getting more than Rs. 10,000 by way of sale price of paddy should be exempted from the provisions of this tax. It is not the poor man who will be taxed there. It will be the man, the landlord, the jenmi who is on account of the present inflationary conditions earning a very inflated income. It is he alone who will be affected by that sale being taxed at that point. And because a sale is being effected between the landlord and the Government unfailingly the tax can be collected and we can see to it that the tax is not transmitted to the consumer. If the Government can levy the tax at the source, it will be more advantageous. Again take the case of cocoanuts and the products made out of cocoanuts. These will be taxed according to the provisions of this Bill at five or six points. But it will not be taxed at that point where equitably the tax should fall. On account of the inflated value of cocoanuts today, several landlords and several land-owners are getting very high incomes by the sale of cocoanuts.

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Mr. P. V. Sebastian *(Latin Christians-Cranganur):* Are cocoanuts exempted from this taxation ?

Mr. P. Govinda Menon *(Ernakulam):* Yes, because for the first sale which is made by the owner of the land to the cocoanut dealer, the tax will not apply. Thereafter these cocoanut, which were sold by the land-lord will go through several stages. The cocoanut dealer will sell it to the mill-owner as copra. At this stage a tax will be levied. Then the mill-owner will crush the copra and sell cocoanut oil to a wholesaler. At this stage tax will be levied. Then the wholesaler will sell to the retailer. At this stage also tax will be levied, the result being that the difficulty experienced by the common man today on account of the high price of cocoanut and cocoanut produce like cocoanut oil and cocoanut oil cake will be enhanced to a very great extent on account of tax falling upon the product at 3 or 4 stages. And the land Lord alone gets a sort of un-earned enhancement of income on account of the high values prevailing and on account of the provision exempting coccanuts from taxation. As I said before that provision is incorporated in the British Act on account of the fact that the provincial legislatures have no power to levy that tax. That is no reason why we should tax a common man, the consumer, and leave the man who can bear the tax alone. That is the inequitable incidence of this tax. Sir, I am not for a moment grudging the income that our Landlords are getting today, from inflated prices, because for the last several years before 1117 they were groaning under economic depression. It is not without remembering that that I am making this criticism. But when we are introducing a tax we should see that there is an equitiable incidence of that tax.

Another point which I wish to refer to at this stage is the provision in Clause 11 of this Bill. The clause provides "The sales Tax Officer shall, as soon as may be after the first day of Kanni, make a provisional assessment, determining the tax payable for the current year". Now if this Bill becomes Law on 1st Chingam 1122 there is nothing preventing the authorities in making an assessment in Kanni 1122 and collect the tax immediately. I am sure that Government have powers reserved to make the collections in monthly instalments but nothing prevents them in making collections in Kanni itself. This being a Tax on turnover, the tax payable by a businessman can sometimes be beyond his capacity to pay, if the payment has to be made in one single instalment. For example an ordinary business man may have turn over of any more than Rs. 15 or 20 lakhs per year. It does not mean that his capital is so much. He may have a very small capital and since the tax is upon the total turnover for one whole year the assessment in Kanni 1122 may be a large amount may be an amount which is beyond his power to pay at once and therefore when the Bill comes before the Select Committee ample room may be made to see that the collection is made either in montly instalments or in as many easy instalments as possible. It will be impossible for any businessman to pay assessment in a lump sum because he may probably have to pay his whole capital to Government by way of assessment under the Sales Tax Act.

The provision regarding search under clause 26 of the Bill also appears to me to be somewhat harsh. I do not think there is a similar provision in the Madras Bill. Here power is given to the officers of the department. The section reads as follows.—

The Commissioner of Sales Tax, the Deputy Commissioner of Sales Tax or the Sales Tax Officer may subject to such conditions as may be prescribed.....(3) For the purpose of sub-section (2) the Commissioner of Sales Tax, the Deputy Commissioner of Sales Tax, the Sales Tax Officer or any other Officer empowered in this behalf may enter and search any place of business or warehouse of any dealer".

Sir, I think the provision in the Madras legislation would be quite sufficient to meet the situation. With these remarks hoping that the Bill will receive suitable amendments and variations in the select committee and also with the hope that this will not be a permanent measure on the Statute Book but will be amended, repealed or varied as the case may be in the beginning of every financial year as is the practice with all advanced and civilised Governments, with this hope, Sir, I support this Bill.

മിസ്റ്റർ പി. വി. സബാസ്റ്റ്യൻ: സാധാരണ ജനങ്ങളെ ഈ ബിൽ കാര്യമായി സ്പർശിക്കുന്ന ഒന്നാകയാൽ ഇതിനെ ഞാൻ എതിർക്കുന്നു. കൊല്ലംതോറും ഓരോതരത്തിലുള്ള നികുതികൊണ്ടുവരുന്ന ഈ ഏർപ്പാടിൽ പങ്കുകൊള്ളാൻ ഞാൻ തയ്യാറില്ല. ക്ലാസ് ൦-ൽ അടക്കാനികുതി, ക്ലാസ് ൧-ൽ തേങ്ങാനികുതി, ക്ലാസ് ൨-ൽ വില്പന നികുതി, ഇനി ക്ലാസ് ൩-ലേക്ക് ഇനിയും വല്ലനികുതിയും കൊണ്ടുവരുമായിരിക്കാം. നമ്മുടെ ചീഫ് സെക്രട്ടറി ഈ ബിൽ അവതരിപ്പിച്ചതു് ഒരു ജാലവിദ്യക്കാരന്റെ വേഷത്തിലാണു്. റെയിറാണെങ്കിൽ നൂറിക്കു്

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ഒന്നുമാത്രം. ഇത് ചിലകച്ചവടക്കാരെമാത്രമേ ബാധിക്കുകയുള്ളുവത്രെ. പിന്നെ പലേ സാധനങ്ങളും ഈ നികുതിയിൽനിന്നും ഒഴിവാക്കിട്ടുണ്ട്. സർ, ഇപ്പോഴും നികുതിയിൽനിന്നും ഒഴിവാക്കിയിട്ടുള്ളതിനുംപുറമെ അനവധി നിത്യോപയോഗസാധങ്ങൾകൂടി ഒഴിവാക്കേണ്ടതുണ്ട്. ഇപ്പോഴത്തെ നികുതിയുടെ തോതു് ഒരു ശതമാനമല്ല, നേരെ മറിച്ചു് അതൊരു ഏഴര ശതമാനമാണ് ഞങ്ങൾ കൊടുക്കേണ്ടതായിവരുന്നതു്. ആ നിലക്കു് നോക്കുമ്പോൾ ഞങ്ങളുടെ ഓരോ ഉരുപ്പികയുടെയും വില പതിനാറണയിൽനിന്നും പതിനാലരണയായി കുറയുമെന്നാണ് ഞാൻ പറയുന്നതു്. ഇപ്പോൾ ഞങ്ങളുടെ ഉരുപ്പികക്കു് പതിനാറണക്കുപകരം ഇരുപതണകിട്ടിയാൽ അത്യാവശ്യകാര്യങ്ങൾകൂടി നിവൃത്തിക്കുവാൻ സാദ്ധ്യമല്ലാതായിത്തീർന്നിരിക്കുന്നഇക്കാലത്തു്ഇനിയും നികുതി കൊടുക്കേണ്ടതായിവരികയാണെങ്കിൽ കാര്യംവളരെ വിഷമമാണ്. ഗവർമ്മെണ്ടിനു് പണത്തിന്നാവശ്യമുണ്ടെന്നും ഉണ്ടാകുമെന്നുമുള്ള സംഗതി ഞങ്ങൾക്കു് നല്ലവണ്ണം അറിയാം. എന്നാൽ പണത്തിനുള്ള ഏകമാർഗ്ഗം നികുതി ചുമത്തുക എന്നുള്ള ഒന്നുമാത്രമല്ല എന്നാണ് എനിക്കു് പറയാനുള്ളതു്. മുതലെടുപ്പും ദേശീയസമ്പത്തും വർദ്ധിപ്പിക്കുവാൻ ഉള്ള ഏകമാർഗ്ഗം നികുതിചുമത്തുകമാത്രമാണെന്നുള്ള തെറ്റിദ്ധാരണ വെച്ചുകൊണ്ടിരിക്കരുതെന്നാണ് എന്റെ അപേക്ഷ. വ്യവസായം വർദ്ധിപ്പിക്കുകയാണ് വേണ്ടതു്. അതുകൊണ്ടു് ഒരു വ്യവസായബുദ്ധിയോടുകൂടി മൈസൂറിനേയും തിരുവിതാംകൂറിനേയും അനുകരിച്ചുകൊണ്ടു് എങ്കിലും നമ്മുടെ വരവിനെ വർദ്ധിപ്പിക്കുകയല്ലാതെ പണത്തിനാവശ്യമുണ്ടെന്നുവെച്ചു് ജനങ്ങളുടെ നെഞ്ഞത്തടിക്കരുതെന്നു് ഞാൻ ആവശ്യപ്പെടുന്നു. ഗവർമ്മെണ്ടിനു" പണത്തിന്നത്യാവശ്യമുണ്ടെന്നുള്ളകാരണത്താൽ പ്രജാമണ്ഡലം നേതാവു് ഇതിനെ അനുകൂലിച്ചു എങ്കിലും ഞാൻ ഈ ബില്ലിനെ എതിർക്കുന്നു.

മിസ്റ്റർ കെ. കൊച്ചുകുട്ടൻ: സർ, ഞാൻ ഈ ബില്ലിനെ പിൻതാങ്ങുന്നു. സാധാരണക്കാരുടെ പേരിൽ ഇതിനെ എതിർക്കാൻ ആളുണ്ടായതുകൊണ്ടാണ് ഞാൻ ഇതിനെ പിന്താങ്ങാൻ തീർച്ചയാക്കിയതു്. ഈ ബില്ലിൽ പല ന്യൂനതകളുമുണ്ടെന്നു പ്രജാമണ്ഡലം നേതാവുപ്രസ്താവിച്ചുകഴിഞ്ഞു. ആവശ്യകാര്യങ്ങളിൽ ഗവർമ്മേണ്ടിന്റെ ദൃഷ്ടി കൂലങ്കഷമായി പതിയണമെന്നു ഞാൻ അഭ്യർത്ഥിക്കുന്നു. ഈ ബിൽ സെലക്ട് കമ്മിറ്റിക്കു അയയ്ക്കണമെന്നും പറയുകയുണ്ടായി. ഈ ബിൽ ഇവിടെനടപ്പാക്കിയാൽ പാവപ്പെട്ടവർക്കും ബാധകമാകും. അതുകൊണ്ടു അവർക്കുവിഷമമുണ്ടാകും എന്നുപറഞ്ഞുകേട്ടു. ഈബിൽ വാസ്തവത്തിൽ consumers നു് ഒട്ടാകെ ബാധകമാണു്. അതുപണക്കാർക്കും പട്ടിണിക്കാർക്കും ബാധകംതന്നെ. പക്ഷെ ഒരു വ്യത്യാസമുണ്ടു്. പാവപ്പെട്ടവർക്കു് പർച്ചേസിംഗ് പവർ കുറയും. അതുകൊണ്ടു അവരെ ഈ ടാക്സ് അധികംബാധിക്കുകയില്ല. പാവപ്പെട്ടവരിൽനിന്നും നികുതിപിരിക്കേണ്ടിവന്നാൽ അങ്ങിനെചെയ്യും രാജ്യത്തിനുപൊതുവെ ആവശ്യമുള്ള പലപദ്ധതികളും നടപ്പാക്കേണ്ടതു ഗവർമ്മേണ്ടിന്റെ ചുമതലയാണു്. നമ്മുടെ ബഡ്ജറ്റ് ഡെഫിസിറ്റായിരിക്കുന്ന ഈ അവസരത്തിൽ നമ്മൾക്കു പുരോഗമനപരമായ പല പദ്ധതികളും നടപ്പിലാക്കേണ്ടതുണ്ടു്. ഇങ്ങിനെയുള്ള ഒരു ബിൽ ഈ അവസരത്തിൽ ഗവർമ്മേണ്ടുകൊണ്ടുവന്നതു വളരെ നന്നായിട്ടുണ്ടു്. പക്ഷെ ഇവിടെ ചില തെറ്റിദ്ധാരണകൾ ഉണ്ടായിട്ടുണ്ടു്. ഒരാൾക്കു ൨൫ രൂപയാണു ടാക്സ് വരുന്നതെന്നുപറഞ്ഞു. എന്നാൽ ബാഹ്യഭൂരിപക്ഷം ജനങ്ങളും ഇത്രയും ടാക്സ് കൊടുക്കാത്തവരാണു്. അങ്ങിനെയുള്ളവരിൽനിന്നു ൨൫ രൂപ നികുതിപിരിക്കുന്നുണ്ടെന്നുപറഞ്ഞാൽ അതു അതിശയോക്തിയെന്നല്ലാതെ വിശ്വസിക്കാൻവേണ്ടി പറയുന്നതല്ല. മദ്രാസ്സിൽ ഒരു ശതമാനംമാത്രമാണു് സേത്സ് ടാക്സ് വസൂലാക്കുന്നതു്. അതു ൨ ശതമാനമാക്കാൻ ശ്രമമുണ്ടു്. എന്നാൽ ഇവിടെ ഒരു ശതമാനത്തിൽ വളരെ കുറവായേ സേത്സ് ടാക്സ് ചുമത്താൻ പോകുന്നുള്ളു. ൫ ലക്ഷം ഉരുപ്പികയ്ക്കു് ൪ ലക്ഷത്തി ൨ ൦ ആയിരം രൂപ മദ്രാസ്സിൽ ഇൻകം ടാക്സു് വസൂലാക്കുമ്പോൾ ൨ ലക്ഷത്തിൽ ചിലപ്പോഴേ ഇവിടെ വസൂലാക്കുന്നുള്ളു. ഇങ്ങിനെ നോക്കിയാൽ നമ്മുടെ രാജ്യത്തിൽ വളരെ കുറവായേ ടാക്സു ചുമത്തുന്നുള്ളുവെന്നുകാണാം. നമ്മൾക്കു പുരോഗമനപരങ്ങളായ പല കാര്യങ്ങളും നടത്താനുണ്ടു്. അതിനുപണംവേണം.

എന്നാൽ അങ്ങിനെയുള്ള കാര്യങ്ങൾക്കു പണമുണ്ടാക്കി അവ നടപ്പിൽ വരുത്തണമെങ്കിൽ ഉത്തരവാദിത്വഭരണം വന്നാലെ സാദ്ധ്യമാകൂ. അതുണ്ടാകുകയുംചെയ്യും. ഏതായാലും ഈ ബിൽ അത്യാവശ്യമാണെന്നും ഇതു സെലക്ട് കമ്മിറ്റിക്കു അയയ്ക്കണമെന്നും പറഞ്ഞുകൊള്ളുന്നു.

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Rao Sahib K. Ayyappan *(Ezhuvas-Kanayannur):* Sir, the Sales tax revenue will be a collection of subscription—a collection of subscription from all people. I concede that. But it is necessary now. Therefore I support the Bill.

The tax will eventually affect the consumer; that Government also concedes and all other people concede. But it is bearable. The deficit is unbearable to our Government. But the subscription we will have to give is bearable because in the distribution it will be bearable. But if you are going to exempt all the goods mentioned in the elaborate list appended to the Bombay or the Bengal legislation I do not think that our new tax may bring any large amount at all. Therefore somegoods which ought to be exempted alone be exempted. The list read by my friend was terrible list. Income from the luxuries alone will not meet our end now. But I will have to point out one thing to the Government. The rates for the luxuries may be greater than the rates for the necessities. But there are other sources also for taxation—Agricultural income, death duty—these taxes will not affect the poor people. If not now Government will have to be these sources also ours is a small State. But our expenditure is large. Therefore I think if Government is in real difficulty we will have to support the Government. I support this Bill and request that it may be referred to a Select Committee.

Mr. L. M. Pylee *(Latian-Christians Ernakulam):* Mr. President, Sir, I support the principle of the Bill. We have seen at close quarters those who have opposed the bill are very solicitous about the consumer. That reason has been advanced by these Hon'ble Members who oppose this Bill as the main reason, for their opposition. Well, Sir, I thank these rich people who represent the interests of commerce for the solicitude which they on the floor of this House and on this occasion show for the hardships of the poor consumer. I would request the Merchants of the State who squeeze poor people today and who make enormous gain—I mean the merchantile people who squeeze poor people, who conduct black market—not to come forward when a progressive measure is on the anvil with a plea that they are sheding tears for the poor consumer, crocodile's tears (Laughter). Sir, we heard an Hon'ble Member here saying that warning "Government should not kill the goose that lays the golden eggs", a warning which we very often hear. Whenever a progressive measure is introduced, a measure of taxation, atonce the argument comes that the industry as a whole will go to the dogs; kill not the goose that lays the golden eggs—this seems to be the burden of their song. Sir, to my mind it seems to me that it is not the Industrialist, that is not the goose that lays the golden eggs but the Bill that is before the House. It may not be a Big goose. A small goose it may be. But it is to lay that golden egg which it is now absolutely necessary to over come the deficit with which we are faced. Sir, after all we want money, not for the purpose, I presume, Sir, not for the purpose of ministering to the comforts of the rich, but we want money to serve the needs of the common man. That is a growing need at this juncture when as the Hon'ble Chief Secretary has pointed out in so many directions expenditure has to be me and therefore money has to be found and as several Hon'ble Members have pointed this is a method, though it will cause some hardship to the consumer, yet it is a bearable burden, and it is a kind of subscription which will have to be paid for common good, certain for common good. Therefore I would most wholeheartedly support this measure.

Sir, an argument has been advanced here. There is a fear that as soon as this is going to be imposed our rich merchants will atonce flee to Travancore and most of the things that we are getting here will find their way to the territories of Travancore. Sir, I may tell you I am eye witness of the fact that even without this measure, even with all the vigilence which our departments show, it is a wellknown fact that much of the things that are meant for Cochin find their way across the frontier. (Hear. Hear). Why? Such things have travelled with me in the conveyances that I travelled, things that I see one evening in the market at Ernakulam, these very things I have seen two days after in the markets of Travancore.

Mr. Puthur Achyuta Menon *(Kattur):* Sir. That also brings income to the Government. Is it not?

Mr. L. M. Pylee *(Latin-Christians Ernakulam):* I do not know.

Mr. Puthur Achyuta Menon *(Kattur):* That also is taxed. It also comes within the purview of Government. I mean the black market.

Mr. L. M. Pylee *(Latin-Christians Ernakulam):* Therefore let us not be scared by by that argument—when this measure is introduced things will find their way to Travancore and we shall have to starve.

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Then, a very pertinent question was asked by the Hon'ble Member Rao Sahib Ayyappan—what are you going to do with these things in Travancore? The argument that was advanced was that these things will be taken to Travancore. What I impress here is after the things reach Travancore they must be sold there. So that fear that things will atonce find their way to Travancore, I think, it is a very great exaggeration to say that. And secondly can it be imagined, Sir, that because of this small tax that is going to be levied upon the turnover all the merchants will transport their things to Travancore, taking into consideration the cost that will have to be met on account of transport and other incidental expenses that will have to be met. Is it going to be a profitable concern for the merchants to transport their articles to Travancore bearing heavy expenses of transport and expenses on account of other exigencies which they may have to face in order to avoid this small tax that would be levied upon the turn over?

Sir, one thing more I want to speak. I have already indicated that. In the machinery that will have to be instituted for the purpose care must be taken that the payment of this tax is not evaded. I have already indicated how things find their way, inspite of the vigilence on the part of our officers, across the frontier to other places. Here is a case where evasion could be very easily be effected. Here is a case again, Sir, where at least at the lower ranks of the structure, corruption can creep in. These are matters that are to be taken into consideration. Honest officers, people who are determined to see that proper things are collected from the proper source, who are determined to see that they shall not fall under the influence of the rich, such officers, such a department must be constituted for this purpose. Therefore that is a point which will have to be kept in mind when the machinery is instituted.

Sir, as regards the various provisions of the Act my Hon'ble friend the Member for Ernakulam has at some length pointed out necessary modifications that will have to be made when the Bill goes before a select Committee. He has indicated the main lines of improvement that are required. I therefore do not wish to say anything about this.

With these few remarks I wholeheartedly support the principle of the Bill at this stage.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Sir, I do not want to make a lengthy reply, because most of these points will come up for discussion in the Select Committee. But all the same I might touch at least some of the more important points that were sought to be made out in this debate.

The first point that arose was that in Madras this was introduced at a time when they wanted to introduce prohibition; that is a noble cause; that is yet to be done (Hear, Hear)—That is the argument. They suggested that it is not wise to waste this tax so to say without waiting for the appropriate time to introduce prohibition. Of course it is true that in Madras the occasion to introduce the Sales tax was when they introduced simultaneously prohibition in some of their districts. That was the occasion there. But in several other countries Sales tax has never been coupled with prohibition. As a matter of fact nowhere else in the world has sales tax been coupled with prohibition.

Choudhury G. S. Dhara Singh *(Mattancheri):* But, we are always following Madras.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Here we want this money not to meet the routine expenditure of the Government, we want this money because we want to lannch upon several important development schemes. If we had not provided a very large amount for development schemes which are beneficial to the State as I said before, but which at the same time cannot be classified under capital expenditure, if it were not for that we would not have been faced with this terrible deficit with which we are now faced. So if we are introducing it, it is not to waste on routine expenditure.

Rao Sahib K. Ayyappan *(Ezhuvas-Kanayannur):* Will not a part of this revenue go to Noon-day feeding?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Yes. Noon-day feeding and so many other schemes, such as development of agriculture, fisheries, opening of new roads, construction of bridges, etc., etc:

Mr. K. S. Panicker *(Ezhavas-Trichur):* Not for irrigation purposes?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* And several other items.

Rao Bahadur T. K. Nayar *(Pazhayannur):* Does it go to the general revenues?

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Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* There is some distinction. Just now we are launching upon so many beneficial schemes. Have you ever seen in the Budget so many new provisions.....

Rao Bahadur T. K. Nayar *(Pazhayannur):* Is it earmarked for productive enterprises?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* No. It is not earmarked separately. I may put it otherwise to you. Was it earmarked for prohibition in Madras? No. When a budget is framed, allocation of expenditure and revenue cannot be made on a compartmental basis and on the same principle you cannot do that.

Rao Bahadur T. K. Nayar *(Pazhayannur):* The Secretary has not caught my point—

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* There is a good justification for introducing a tax like that, though it be that prohibition is not the immediate cause for it.

And it was also stated more or less in this connection that this is a tax which will increase the burden of the people without increasing the level of their living. It is not so. When these beneficial schemes are taken up, when money is spent on these beneficial schemes will that not raise the living of the people? It will. If our communications are improved if there is a general improvement in our agriculture and fisheries the standard of living of people will surely be raised. If we are anything today what is it due to? If we are anything better off than what we were in 1840 for 1830 (Laughter) what is it due to? Is it not due to better education, more colleges, better communications giving room for better trade and commerce and so on? Therefore don't say it will raise the burden of taxation without raising the standard of living. Money that is raised will be thrown back for the common good, to build up new utility concerns.

Another point that was raised was the comparision drawn with the Bombay and Bengal Acts. Well, there the tax is levied on the retailer as was explained earlier by the Leader of the Prajamandal Party. It is not possible as a matter of fact I must say to have it taxed only at the head of the chain. And if Bombay and Bengal had to give up that idea and to resort to taxation at the end of the chain it was not because the Government of India Act had prohibited them from doing it. The only prohibition that I find from the Government of India Act is the Excise on tobacco and other goods manufactured or produced in India except certain things. True, that manufactured goods cannot bear an excise duty. But every wholesaler is not a manufacturer. You can be a whole saler without being a manufacturer and without violating the provisions of this enactment. And as for manufacturers, there is a special provision in the Sales of Goods Act itself. It is not because of that. It is because of the fact that it is very difficult to distinguish so to say a whole saler and a retailer in the several instances. There will be certain goods which can be distinguished easily as wholesaler's commodities—certain class of soaps, luxury articles of other kinds and things like that. But there are several articles which it is difficult to distinguish in a such a very arbitrarily and mechanical fashion. Therefore if you should have a provision by which you should prevent loopholes coming into the operation of the Act you must almost reach at the end of the structure. There is no escape from it. That is the reason why both Bombay and Calcutta have had to resort to that procedure. And if we want taxation to be restricted to one point then we should also follow them. And that is why the tax is levied at the end of the chain and not at the beginning, whatever be our relations with the Government of India in fiscal matters. And I find that it is much easier to levy tax under the Bombay and Bengal Acts than under the Madras Act. There is this reason for it. The wholesaler should pay tax if he is selling directly to a consumer which in law he is not prohibited from doing and if he is selling to anybody who is not in the licensed list of dealers. If he is selling to one in the licensed list of dealers then that dealer can be pitched upon and he can be made to pay. Suppose he is selling to one outside the list of licensed dealers and suppose that man is somehow shown in the list of these licensed dealers then the amount will escape. When there are such a large number of transactions to be checked it might as well happen that cases like this will occur and chances for evasion of tax are higher under the Bombay and Bengal Act than under the Madras Act. In our State there will not be so much difficulty to work this tax, event though there will be a large number of clients to deal with. Because we have also an Income Tax Department which we are working. In Madras the income tax is under the Centre. Here if the sales tax is clubbed with income tax for the purpose of administration, it will be very easy. The same set of books and the same set of parties had to be handled by both the departments and a knowledge which the incometax department has in the day to day working of the parties their accounts and transactions would all be usefully utilised in the working of the sales tax here. Therefore here I do not expect that there will be any difficulty at all in having the Madras scheme.

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Another point that was made out was that there should be a schedule of exemptions though we have not a schedule. We have also enumerated certain items which are exempted from taxation under this Tax. The main item is of course agricultural produce. Another small thing is cloth made from handloom. We have not included electricity or motor spirit because in British India, I understand, on Motor spirits they are charging an excise duty independent of the sales tax. Similarly also under electricity where the cost of a unit charged is more than 2 annas there is a separate excise. The Madras Bill never wanted to have two kinds of taxes on the same product. It is on that principle that opium, ganja, toddy, arrack, betelnuts, coffee, tea and all these things are exempted. Applying the same principle Madras should logically exempt all motor spirit and electricity. There is no need for us to do that, because we are not collecting any excise duty on motor spirits.

Mr. P. Govinda Menon *(Ernakulam):* As a matter of fact, Sir, we do not want electricity to be exempted.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* I am glad. but with regard to agricultural produce...

Mr. M. O. Thomakutty *(Commerce and Industry):* Are we not paying customs duty on motor spirit?

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* That is separate from excise.

Then, with regard to agricultural produce that is a thing that this House should consider and decide. The general complaint here has been that in view of the labour shortage, high cost of manure and things like that there should be a subvention, there should be a remission, that special protection should be given to the cole-cultivaters, etc. Therefore if the House is able to include agricultural produce or not is a matter which is to be considered. We excluded it for two reasons. In Madras it has been excluded and generally in India, the agriculturist is considered to be poor and deserves sympathy.

Mr. P. Govinda Menon *(Ernakulam):* To make one thing clear. I never wanted to tax the culivator. I referred only to the Land Lord and the Jenmies who are earning without effort.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* It is the Jemi who has requested the remissions.

Several voices: No. No. No.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Yes. Yes. If you just look into the discussions then you will be convinced of my statement. Therefore it is for the House to decide whether agricultural produce should be taxed or not. We exempted agricultural produce for two reasons, that in India the agriculturist is considered to be poor and he deserves sympathy. The second is he is already paying the land tax; for these reasons, we thought he should be exempted. If the House consider otherwise I am too glad. All these matters can be considered in greater detail in the Select Committee. These are the main points that were made out in the debate. I have tried to meet most of them and whatever remains to be done can be discussed and fixed up, in the Select Committee.

The motion that the Cochin Sales Tax Bill be read in Council was put and carried.

Secretary to the Council: The title of the bill is the Cochin Sales Tax Bill.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Sir, I move the bill be referred to a Select Committee consisting of the Advocate General, the Comptroller of Finance and Accounts, Mr. K. S. Panicker, Mr. P. Achyutha Menon, Rao Bahadur T. K. Nayar. Mr. M. O. Thomakutty, Mr. T. V. Kochuvaried, Mr. P. Kumaran Ezhuthassan and the Mover.

Rao Bahadur T. K. Nayar *(Pazhayannur):* Sir, I would request to substitute Mr. L. M. Pylee for me.

Mr. President: Alright.

The question is that the Cochin Sales Tax Bill be referred to a Select Committee consisting of the Advocate-General, the Comptroller of Finance and Accounts, Mr. K. S. Panicker, Mr. P. Achyuta Menon, Mr. L. M. Pylee, Mr. M. O. Thomakutty, Mr. T. V. Kochuvaried, Mr. P. Kumaran Ezhuthassan and the Mover.

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Those who are in favour of the motion will say aye those against no.
The ayes have it.

Motion carried.

Mr. President: I nominate the Advocate-General as the Chairman. The committee will submit its report before the 9th of August.

(iii) The Cochin Payment of Salaries and Allowances Act (Amendment) Bill

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* Sir, I move that the Cochin Payment of Salaries and Allowances Act (Amendment) Bill be read in Council.

Mr. M. Sivarama Menon *(Advocate-General):* I second the motion.

Rama Varmha Tampuran, M.B.E. *(Chief Secretary to Government):* This is a Bill which the Government have drafted after hearing the discussion which followed on a similar bill which was introduced at the last Budget meeting. In this Bill provision has been made for the payment of travelling allowance and daily allowance for the Hon'ble Minister's on the same scale as is drawn by the Diwan. We have also provided that this provision should have effect from 1st Chingam 1121.

Another provision in the Bill is that whatever dearness allowance is paid to officers on Rs. 500 should be paid to the Ministers. Another provision is that instead of providing for rent for the Ministers house, a house well furnished, well equipped and properly run should be made available. The last provision is explanatory, aa by giving a car for the Ministers use he should be given also an allowance of Rs. 100 to meet the cost of petrol, oil and other articles, Government meeting all other repairs and also the pay of the chauffeur. These are the provisions of the Bill. I commend the Bill for your acceptance making it clear that the Official (Government) block proposes to remain neutral.

റാവുസാഹിബ്ബ് ടി. കെ. നായർ: ഗവർമ്മെണ്ടു് ഇങ്ങിനെ ഒരു ബിൽ കൊണ്ടുവന്നിരിക്കുന്നതിന്റെ അർത്ഥമെന്താണു്? ഇതുപോലെ കഴിഞ്ഞതവണയും ഒരു ബിൽകൊണ്ടുവന്നു. മിനിസ്റ്റീരിയൽ പാട്ടിക്കു ഈവക കാര്യങ്ങളും യാതൊന്നും വേണ്ടെങ്കിൽ പിന്നെന്തിനാണു ഗവർമ്മേണ്ടിതുകൊണ്ടുവന്നിരിക്കുന്നതു്? നിങ്ങൾക്കു ജോലിയില്ലാത്തതുകൊണ്ടാണൊ ഇങ്ങിനെ ഓരോതവണ ഓരോ ബിൽകൊണ്ടുവരുന്നതു്? ഞാൻ ഇതിനെ എതിർത്തൊ അനുകൂലിച്ചോ ഒന്നുമല്ല പറയുന്നതു്. കഴിഞ്ഞതവണ നിങ്ങൾകൊണ്ടുവന്ന ബിൽ മിനിസ്റ്റീരിയൽ പാട്ടിക്കുംവേണ്ട; തുക്കുംവേണ്ട. അങ്ങിനെയിരിക്കെ പിന്നെ ഇപ്പോഴും എന്തിന്നുകൊണ്ടുവന്നു? ഇതു ഞങ്ങളുടെ കാര്യമല്ലെ? ഈ അധികാരം ഞങ്ങൾക്കു വിട്ടുതന്നുകൂടെ? മന്ത്രിക്കു ശമ്പളം വേണോ, കാർ വേണോ, അലവൻസ് വേണോ, അതെത്രമാത്രംവേണം എന്നൊക്കെ തീർച്ചയാക്കാനുള്ള അധികാരം ഞങ്ങൾക്കുള്ളതല്ലെ? നിങ്ങൾക്കു സൂബോധമുണ്ടാകാൻ വേണ്ടിപറയുകയാണു്. ൪൦൦ രൂപ ശമ്പളം മേടിക്കുന്ന മിനിസ്റ്റർക്കു ഡിയർനസ് അലവൻസ് മേടിക്കാൻ ഒരു ബിൽ കൊണ്ടുവരുന്നു! ഇതുകേട്ടാൽതന്നെ നാണമാകയില്ലെ? നിങ്ങൾ ഇങ്ങിനെ ഒരു ബിൽകൊണ്ടുവന്നിട്ടു നിങ്ങൾതന്നെ പറയുന്നു ഞങ്ങൾവോട്ടു ചെയ്യുകയില്ലെന്നു്! Is it a Government Bill?

Mr. P. Kumaran Ezhuthassan *(Vadakkancheri):* Certainly it is.

*റാവുസാഹിബ്ബ് ടി. കെ. നായർ: ഈ സ്ഥിതിക്കു് ഇതുകൊണ്ടുവരുന്ന ഒരുകാര്യം തന്നെ വോട്ടുചെയ്യുകയില്ലെന്നും നിങ്ങളുടെ ബില്ലിനു് നിങ്ങൾതന്നെ മുട്ടുറലായിട്ടിരിക്കുമെന്നും പറയുന്നതിന്റെ അർത്ഥം എന്താണു്? ഞാൻ ഇതു് വെറുംനേരംപോക്കായിട്ടു പറയുകയാണെന്നു് വിചാരിക്കരുതു്. ഞങ്ങളുടെ മന്ത്രിയുടെ ശമ്പളം രണ്ടായിരം ഉറപ്പിക്കയായിവച്ചിട്ടുണ്ടു്. മന്ത്രിയുടെ ശമ്പളം തീർച്ചയാക്കുന്നകാര്യത്തിൽ നിങ്ങൾക്കെന്താണു് അധികാരമുള്ളതു്? നിങ്ങളാണോ ഞങ്ങളുടെ മന്ത്രിയുടെ വിലതീർച്ചയാക്കുവാൻ? ഇതിനുമുമ്പു് മന്ത്രിക്കു് വ൫൦൦ക. ശമ്പളമാക്കണമെന്നുപറഞ്ഞു നിങ്ങളൊരു ബിൽ ഇവിടെ കൊണ്ടുവന്നു, ഞങ്ങളുടെ മന്ത്രിക്കു് വ൫൦൦ക. യാണൊ വില, ഞങ്ങളുടെ മന്ത്രിക്കു് രണ്ടണയോ, അഥവാ രണ്ടായിരം ഉറപ്പിക്കയോ വേണ്ടതെന്നു് തീർച്ചയാക്കുവാനുള്ള അധികാരം ഞങ്ങൾക്കുള്ളതാണു്. ഈവക കാര്യങ്ങളെക്കുറിച്ചു പച്ചമലയാളത്തിൽ പറയുകയാണെങ്കിൽ "നാവന്നു" (ചിരി) എന്നേപറയുന്നുള്ളു. നിങ്ങൾ ഇതുപാസ്സാക്കിയാലും മറെറന്തുചെയ്താലും ഞങ്ങൾക്കു വിരോധമില്ല. ഇത്രമാത്രമേ എനിക്കു പറയുവാനുള്ളു.

*Speech not corrected by the Hon'ble Member.

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